"Mutual objectives, common goals and a feeling of working together all mean the same in a working environment–esprit de corps. International Mogul believes that the full achievement of this has to be the main key to future successes. Our employees throughout the world were vital to the success we had during 1973 and will determine, to a large extent, the degree of our success in 1974."

International Mogul Mines Limited / 1973 Annual Report

Head Office
- Toronto, Canada

Canada
- Mineral Exploration
- Oil and Gas Exploration

United States
- Mineral Exploration
- Oil and Gas Exploration
- Gas Production

New Zealand
- Mineral Exploration
- Oil and Gas Exploration

The Year at a Glance

	1973	1972
Net income	**$ 6,017,000**	$ 4,604,000
Common shares issued and outstanding	**2,608,097**	2,607,112
Income per common share	**$2.22**	$1.77
Cash earnings per common share	**$2.93**	$2.45
Proven and indicated in place ore reserves (tons)	**9,319,000**	8,420,000
Ore grade — zinc %	**6.48**	7.05
— lead %	**2.76**	2.73
Common shareholders' equity	**$37,267,000**	$32,586,000
Per common share	**$14.29**	$12.50

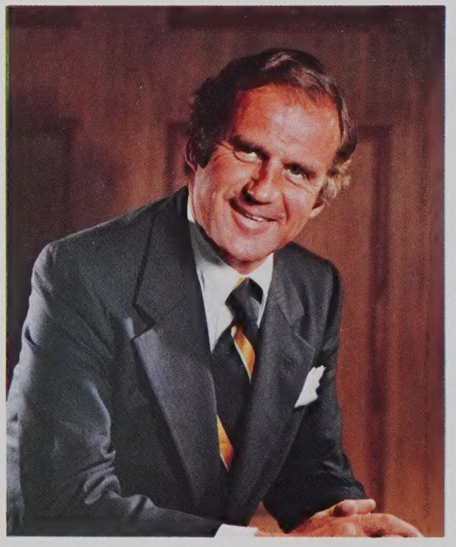
Sil

Contents

Annual Meeting
The Annual Meeting of International Mogul Mines Limited will be held on Thursday, June 27, 1974 at 11:00 a.m. in Committee Room No. 4, 11th Floor, 11 Adelaide Street West, Toronto, Ontario.

Directors' Report to Shareholders

D. W. Knight
Chairman of the Board and Chief Executive Officer



F. Gerald Townsend
President and Chief Operating Officer

Your Directors are pleased to present your Company's Annual Report for the year 1973.

Consolidated net income for the year amounted to $7,867,000 or $2.93 per common share. This is before extraordinary losses of $1,850,000, or $0.71 per common share. In 1972, consolidated net income, before extraordinary items, was $4,431,000 or $1.70 per share. Income from extraordinary items in 1972 was $173,000 or 7¢ per share.

1973 was clearly a most significant year for your Company. It earned the highest profits ever, received the first dividends from Mogul of Ireland Limited, began a major entry into gas exploration and production in the U.S.A. and added approximately two years of life to the mine in Ireland by the discovery of additional ore reserves. We have gone some way towards achieving our objective of developing a solid earnings base to provide us with the continuing cash flow to sustain the already expanded programme of exploration and acquisitions in the mineral and oil and gas areas.

Revenue of Mogul of Ireland, a 75%-owned subsidiary, was again at a record level primarily because of the increased zinc and lead prices which were offset somewhat by increased costs. Net profit for the year of Mogul of Ireland was $9,913,000 compared to $6,109,000 the previous year. A dividend policy was adopted during the year and your Company received approximately $6,725,000 from this source during 1973. As of the date of writing this Report, the zinc producer price in Europe is £330 per dry metric ton and the London Metal Exchange spot lead price is approximately £255 per dry metric ton. One year ago, these figures were £190 and £150 respectively. There seems no reason to doubt that the prices for lead and zinc will remain strong during 1974. Early in February 1974, a new smelter contract came into effect for a period of three years. The smelter treatment charges are higher than those in the previous contract, particularly in regard to lead. However, we expect that stronger metal prices will go a long way towards offsetting these increased charges.

One of the most encouraging aspects of the Irish operation has been the success of the drilling programme aimed at increasing our ore reserves. During 1973 the reserves increased by just over 1,800,000 tons to effectively add almost two years to the life of the mine. Exploration drilling is continuing in the vicinity of the mine to further increase ore reserves.

Your management was shocked by the announcement last September that the Irish government intended to take away the 20-year tax exemption from existing mining companies as of April 6th, 1974. Representations have been made to the Government and meetings held with the Minister of Finance.
A Bill has very recently been introduced by the Minister of Finance which would remove the tax exemption. Although accelerated capital cost allowances will be allowed for the unamortized portion of those costs, no additional taxation relief is offered in the Bill for existing producing mines. In fact, new mines will be treated more generously in regard to capital cost allowances than Mogul of Ireland will be, in the future. Although the Minister of Finance has given assurances that the taxes will only be applicable to profits earned subsequent to April 6, 1974 the peculiarities of the Irish tax system and the wording of the Bill as presently drafted would have the effect of levying a tax based on 1973 profits. However, we understand that the Minister has now acknowledged that an election will be available to mining companies to ensure that no taxes will be payable on profits prior to April 6, 1974. A recent White Paper setting out proposed changes in general corporate taxation confuses the matter further and, technically, can be interpreted as permitting the double taxation of 1974 profits. As you can see, at this point in time, we are not in a position to advise you in any intelligent way as to the tax consequences in Ireland for 1974. This position is pres-

ently being clarified and representations are continuing to attempt to have the Government recognize the need for continuing and significant incentives for the mining industry. The taxes will be at an effective rate of approximately 50 per cent and will, of course, have a material impact on the future profits of Mogul of Ireland Limited.

We have continued to increase our percentage ownership in the Pine Vale Group of Companies in Australia. The present Government in that country has created uncertainty with regard to mineral, oil and gas exploration and production and has announced certain policies which have discouraged many companies from aggressively exploring in Australia. This, of course, has had the effect of depressing share prices of natural resource companies. However, the Pine Vale Group of Companies continues to be strong financially and is taking the opportunity of the lull in general exploration activity to step up its programme of property acquisitions and plans to be in an advantageous position to obtain financing and partners on a farm-out basis when conditions improve. The Pine Vale Group has increased its holdings in Woodside-Burmah Oil NL., which has a 50% interest in approximately 144,000 square miles of off-shore oil and gas concessions on the North West Shelf of Australia. We believe that this will be a major oil and gas producing area in the future and we consider this asset to be a very valuable one.

Recently, the Pine Vale Group has increased its interest in profitable real estate-oriented activities and has decided to use some of its funds in overseas exploration activity, including the U.S.A. and the Philippines.

Since our initial investment in the nucleus of the Pine Vale Group in late 1971, we have built up an organization in Australia of over 50 people with the funds and expertise to make a very worthwhile contribution to the overall efforts of your Company to find and develop natural resources.

You will notice in the Consolidated Statement of Income and the Supplementary Financial Information that very substantial increases have taken place in the amounts of exploration expenditures in the Mogul Group. We are hopeful that this increased activity will eventually bear fruit.

In late 1973 your Company became actively engaged in the acquisition of gas production and royalties and in oil and gas exploration in the United States of America, mainly in the State of Texas. In addition, your Company indirectly pursued similar interests through its assistance in the financing of Mindamar Energy Resources Limited and the acquisition of about 22% of the issued capital of that company.

Further royalty interests have been acquired in 1974 and additional exploration opportunities have been taken up.

Certain royalty interests in Hemphill County, Texas which were purchased during 1973 and early 1974 for $2,145,000 are now considered to be of a value substantially less than the purchase price. The investment decision was based on representations made by the vendor to the Company and to reputable consultants retained by the Company. Recent investigations indicate that these representations were false. We are advised by counsel that on the basis of these representations, we have sound grounds for a claim to recover the investment from the vendor. Negotiations are presently continuing to settle this matter.

In the meantime it has been decided to write down the investment in 1973 to the amount which it is now estimated will be recovered by royalty payments. A similar write-down may be required in relation to the 1974 royalty acquisition. The write-down in 1973 amounts to $1,070,000 and the potential write-down in 1974 on the same basis is $882,000.

A major disappointment in early 1974 was the conclusion that the interests of your Company would be best served by the sale of the long-standing investment in The Grand Bahama Development Company, Limited. The controlling shareholder of the Development Company, The Grand Bahama Port Authority Limited had, during 1973, purchased virtually all of the other minority shares and your Company appeared to be in danger of becoming the only significant minority shareholder for an indefinite period of time with no real prospects of receiving dividends or being able to liquidate the investment at a profit. Longtime shareholders of the Company will be aware of your management's continuing belief in the future of the Bahamas and a belief that the investment in the Development Company would eventually prove profitable. However, we reluctantly had to accept the fact that unless we sold now at a modest loss, there was a good possibility that we would see no return on the investment in the foreseeable future. We believe that we can employ the proceeds from this sale much more effectively.

Most of our existing venture capital operations have improved during 1973. As indicated in last year's Report, it is not our intention to take on any more major commitments in this area.

In April 1973, your Company was successful in issuing and selling $6,000,000 of cumulative, redeemable convertible preference shares with a par value of $20 each for net proceeds of $5,593,000 after underwriting costs. These funds have increased your Company's ability to expand its participation in natural resource development.

Mutual objectives, common goals and a feeling of working together all mean the same in a working environment — esprit de corps. International Mogul believes that the full achievement of this has to be the main key to future successes. Our employees throughout the world were vital to the success we had during 1973 and will determine, to a large extent, the degree of our success in 1974. We are pleased to thank them on your behalf.

On behalf of the Board of Directors.

Chairman of the Board and
Chief Executive Officer

D. Gerald Townsend.

President and
Chief Operating Officer

Toronto, Ontario
May 27, 1974

Financial and Production Highlights

Financial Highlights

STATEMENT OF INCOME	**1973**	1972	1971	1970	1969
Revenue from production of concentrates	**$21,460,000**	$16,014,000	$11,906,000	$14,853,000	$13,606,000
Sale of manufactured goods and services	**2,104,000**	870,000	605,000	218,000	
Mine operating profit	**11,719,000**	8,374,000	5,808,000	7,245,000	6,511,000
Gross cash flow — mining operations	**11,216,000**	7,676,000	5,112,000	5,895,000	5,106,000
Income before extraordinary items	**7,867,000**	4,431,000	2,362,000	3,934,000	3,186,000
Per common share	**2.93**	1.70	0.91	1.51	1.22
Net income for year	**6,017,000**	4,604,000	953,000	11,017,000	3,186,000
Per common share	**2.22**	1.77	0.37	4.23	1.22
Cash earnings	**7,644,000**	6,385,000	2,657,000	12,968,000	4,860,000
Per common share	**2.93**	2.45	1.02	4.98	1.86
BALANCE SHEET					
Working capital	**11,891,000**	10,373,000	3,869,000	8,435,000	2,375,000
Total assets	**67,210,000**	52,767,000	41,469,000	44,782,000	35,133,000
Long-term debt remaining	**2,263,000**	929,000	7,022,000	12,139,000	15,631,000
Interests of minority shareholders	**10,547,000**	12,314,000	3,362,000	2,324,000	1,253,000
Common Shareholders' Equity	**37,267,000**	32,586,000	27,982,000	27,029,000	16,012,000
Per common share	**14.29**	12.50	10.73	10.37	6.14
Common shares outstanding	**2,608,097**	2,607,112	2,607,112	2,607,112	2,607,112

Production Highlights

Tons of ore treated	**917,400**	813,109	788,771	1,008,565	1,018,705
Grade of ore treated — zinc %	**7.66**	8.83	8.59	10.53	10.22
— lead %	**2.92**	3.00	2.37	2.68	2.42
Production of concentrates					
Tons of zinc concentrates	**115,901**	121,297	115,197	178,388	175,476
Grade of zinc concentrates %	**51.94**	52.51	52.15	50.64	49.54
Tons of lead concentrates	**34,722**	36,278	27,407	38,077	36,473
Grade of lead concentrates %	**50.09**	47.00	44.29	40.90	37.32
Mill recoveries — zinc %	**84.97**	88.02	87.06	83.74	82.68
— lead %	**66.10**	69.12	65.33	57.31	54.99
Metal contained in concentrates					
— zinc (lbs)	**120.0 million**	127.4 million	120.2 million	180.7 million	173.9 million
— lead (lbs)	**35.3 million**	34.1 million	24.3 million	31.2 million	27.2 million

International Mogul Mines Limited

Interim Report
Six Months Ended
June 30, 1973

CANADA

International Mogul Mines Limited

34 Adelaide Street West
Toronto, Ontario M5H 1L8

To the Shareholders:

Consolidated net income of your Company and its consolidated subsidiaries for the six months ended June 30, 1973 amounted to $4,023,000 or $1.54 per share compared with $1,518,000 or 58¢ per share for the same period in 1972.

The improvement in profit performance, despite rising mining and other costs, is attributable to several factors. The tonnage milled by Mogul of Ireland Limited, your Company's 75% owned subsidiary, was maintained at normal levels during the period whereas the tonnage milled during the same period in 1972 was considerably less than normal because of a minor surface plant fire and labour unrest. In addition, zinc and lead prices have increased significantly over the prices prevailing during the first half of 1972. In July, 1973, the producer price for zinc was raised from £205 to £220 per metric ton and the benefit of this increase will be felt over the remainder of the year. It is expected that strong prices for zinc and lead will continue. Also, included in the consolidated statement of income for the period are the results of operations of the Pine Vale Group, a group of effectively controlled Australian companies.

Surface diamond drilling continues on the property of Mogul of Ireland Limited. Currently, three drills are working and some encouraging results have been obtained.

Exploration activities for minerals and oil and gas by your Company and its Australian group of companies proceeded during the period on a normal basis. Drilling for oil and gas has commenced on the off-shore exploration permit on the North West Shelf of Australia in which permit Beaver Exploration Australia N.L. owns 12½% interest. Beaver, one of the Pine Vale Group, also expects to commence drilling in the near future on an oil and gas permit in Papua.

During the month of May the Company issued 300,000 6% Cumulative Redeemable Convertible First Preference Shares Series A with a par value of $20 each for proceeds of $5,603,000 after deducting related expenses. These funds together with the cash flow now being generated by Mogul of Ireland Limited enable your Company to pursue actively significant acquisitions in the natural resource industry. Although there is nothing specific to report to you at this time, considerable work has been done in this regard and some progress made.

Yours respectfully,

F. GERALD TOWNSEND,
President.

August 14, 1973.

International Mogul Mines Limited

Consolidated Statement of Income
(unaudited)

Six months ended June 30, 1973 with comparative figures for 1972

	1973	1972
REVENUE		
From production of concentrates	$11,341,000	$6,530,000
Sale of manufactured goods and services	720,000	405,000
	12,061,000	6,935,000
EXPENSE		
Cost of concentrate production	4,676,000	3,173,000
Cost of manufactured goods and services	681,000	311,000
Depreciation, depletion and amortization	1,063,000	727,000
Royalty expense	140,000	55,000
Administrative and general	756,000	449,000
Interest on long-term debt	34,000	221,000
General exploration and property maintenance	428,000	38,000
	7,778,000	4,974,000
	4,283,000	1,961,000
OTHER INCOME (NET)		
Interest	89,000	221,000
Gain on currency revaluations	559,000	(163,000)
Gain on investments and marketable securities	235,000	116,000
	883,000	174,000
Income before interests of minority shareholders	5,166,000	2,135,000
Interests of minority shareholders in net income of subsidiaries	1,143,000	617,000
NET INCOME FOR THE PERIOD	$ 4,023,000	$1,518,000
EARNINGS PER SHARE	$1.54	$0.58

International Mogul Mines Limited

Consolidated Statement of Source and Application of Funds

(unaudited)

Six months ended June 30, 1973 with comparative figures for 1972

	1973	1972
SOURCE OF FUNDS		
Income before interests of minority shareholders	$ 5,166,000	$2,135,000
Add depreciation, depletion and amortization not involving current funds	1,063,000	727,000
	6,229,000	2,862,000
Issue of shares —		
Preferred, less related financing costs	5,603,000	
Common	7,000	
On exercise of options by minority shareholders of Beaver Exploration, Australia N.L.	215,000	
Sale of fixed assets	95,000	
Recovery of cost of investments sold and advances	583,000	160,000
	12,732,000	3,022,000
APPLICATION OF FUNDS		
Reduction of long-term debt	463,000	2,535,000
Additions to fixed assets	471,000	45,000
Exploration expenditures deferred	922,000	128,000
Preproduction expenditures	58,000	102,000
Dividends paid on common and preferred shares	371,000	
Dividends paid by Mogul of Ireland to minority shareholder	1,136,000	
Investments and advances	3,923,000	600,000
Cost of acquisition of new subsidiary of the Pine Vale Group less working capital acquired	411,000	
	7,755,000	3,410,000
Increase (decrease) in working capital	4,977,000	(388,000)
Working capital at beginning of period	10,373,000	3,869,000
Working capital at end of period	$15,350,000	$3,481,000

International Mogul Mines Limited

34 Adelaide Street West
Toronto, Ontario M5H 1L8

To the Shareholders:

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Yours respectfully,

F. GERALD TOWNSEND,
President.

August 14, 1973.

Supplemental Financial Information

In continuing our policy of keeping Shareholders fully informed about the Company's financial activities, we present the following comments concerning the accompanying Consolidated Statements of Income and Source and Application of Funds:

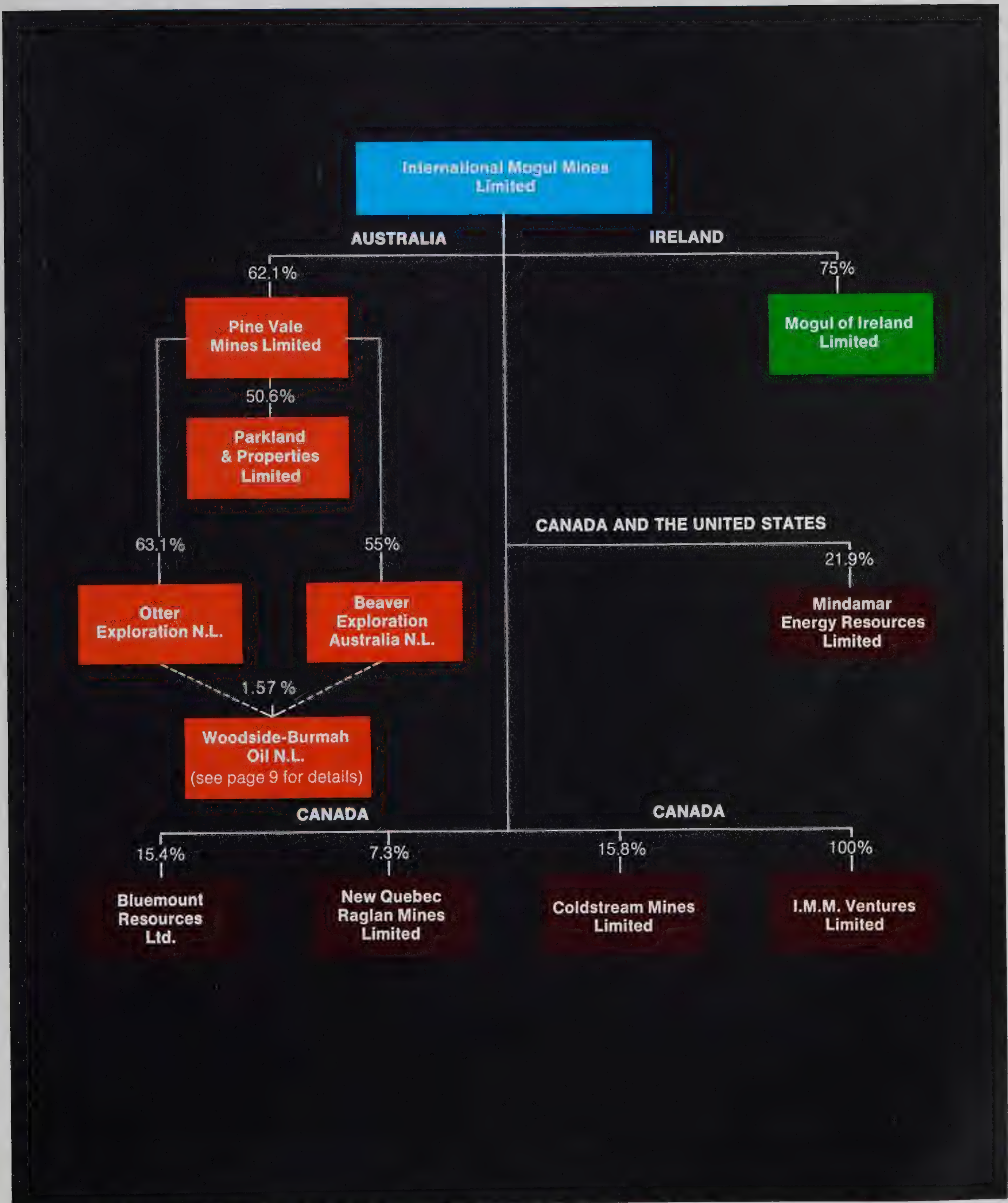
(1) The 1973 figures include the results of effectively controlled Australian companies (the Pine Vale Group). This group of companies has been treated for accounting purposes as an acquisition effective December 31, 1972 and accordingly the comparative figures for 1972 do not show the operating results of these Australian companies. Many items on the Statement of Income are therefore not comparable between the two periods.

(2) The comparative figures for 1972 have been restated to reflect the inclusion of I.M.M. Ventures Limited, a wholly-owned subsidiary, which is now consolidated. The effect of this restatement is to decrease the 1972 earnings for the period by $0.04 per share.

(3) The following is an analysis of the operating results for the various Company operations:

	Mogul of Ireland Limited	Australian Operations	Other Operations
Revenue and other income	$11,374,000	$1,120,000	$ 450,000
Expenses	5,694,000	1,045,000	1,039,000
Interests of minority shareholders ...	1,448,000	(269,000)	(36,000)
Net income for period	$ 4,232,000	$ 344,000	$ (553,000)
Earnings per share	$1.62	$0.13	$(0.21)
Number of shares outstanding		2,607,972	
Cash flow per share		$1.95	

Principal Mogul Controlled and Associated Companies




VALLEY AREA
Knight shaft
'G' ZONE
'B' ZONE
Silvermines village
'S' ZONE
Magcobar Lease Area
'K' ZONE
'C' ZONE
Silvermines Fault
MOGUL OF IRELAND LIMITED
PLAN OF ORE ZONES
Scale - 1/2 inch : 1000 feet

Operations in 1973 at your Company's 75% owned operating subsidiary, Mogul of Ireland Limited, provided close to the normal annual production rate being only slightly affected by mechanical problems experienced during mid year and reduced production during the summer vacation period. Operating profit amounted to $11,719,000. After deduction of interest, royalties, depreciation and amortization charges, the net profit realized was $9,913,000.

Exploration

During the year 70 surface diamond drill holes were completed comprising 32,547 feet. The 1973 drilling programme utilized an average of 3 machines with work being concentrated in the "B", "C" and "K" zones as well as in the Valley area. No surface drilling was done on the "S" zone. An underground drive is heading towards this zone and underground drilling is expected to commence about mid 1974.

Drilling on the down dip extension of the "B" zone has added significantly to ore reserves with further potential still to be tested. Drilling in the Valley area has indicated several mineralized zones which require further drilling to evaluate fully. While additional ore potential has been indicated in the "K" zone, the nature of this deposit is such that considerably more detailed drilling will be required, both from surface and underground, to assess its overall potential. Results of drilling to date on the "C" zone have been of minor significance.

A 10% participation was taken in the Irish Venture Group, a consortium put together to explore for oil and gas on the Shelf area around Ireland.

Exploration and Development Footage Summary	**1973**	1972	1971
Surface Diamond Drilling	**32,547**	7,056	11,246
Underground Diamond Drilling	**19,026**	14,270	33,278
	51,573	21,326	44,524
Major Development	**10,268**	8,719	5,687
Stope Preparation	**8,549**	10,460	12,611
	18,817	19,179	18,298

Ore Reserves

Total ore reserves in all classifications including dilution at year end were 9,319,000 tons grading 2.76% lead and 6.48% zinc, with silver in the order of one half ounce per ton. Reserves of the "B" zone are based on an independent evaluation by the consulting firm of James & Buffam. After the milling of 917,400 tons, ore reserves at year end showed an increase of 899,000 tons. A total of 1,816,400 tons of new ore was added to reserves during the year. Details of ore reserves are as follows:

Ore Body	**Tons**	**% Lead**	**% Zinc**
Upper "G" Zone	4,238,000	1.89	7.99
Lower "G" Zone	1,012,000	3.36	4.31
Total "G" Zone	5,250,000	2.17	7.28
"B" Zone	3,962,000	3.56	5.36
Total "G" and "B" Zones	9,212,000	2.77	6.45
Broken	107,000	2.33	8.80
Grand Total	9,319,000	2.76	6.48

Mine Development

Development during the year was continued in the Lower "G" zone and in the trackless areas of the "B" zone, and the North Panel area immediately east of the shaft. At year end one stoping panel was producing in the "B" zone and four stope blocks were partially prepared for mining. The tonnage of ore fully prepared for mining amounted to 1,155,983. The North Panel area was actively mined throughout the last half of the year.

Mining

Total ore broken during the year amounted to 1,010,882 tons. Long hole drilling for production purposes totalled 553,027 feet. Cemented backfill placed underground using deslimed mill tailing amounted to 265,955 tons. Approximately 24.5% of mine production came from the trackless areas. Pillar recovery produced 183,044 tons.

Milling

Tonnage milled for the year was 917,400 grading 2.92% lead and 7.66% zinc. Concentrate production amounted to 34,722 short tons of lead concentrate and 115,901 short tons of zinc concentrate. Metallurgical efficiencies were comparable to the previous year with the grade of lead concentrate improving significantly. Considerable mechanical difficulty was experienced in the mill as a result of operating without maintenance personnel for a period of approximately six weeks during a labour dispute. The effects of this reduced throughput and had a continuing influence for several months.

Economic Achievements of Mogul of Ireland Limited in the Republic of Ireland from 1964 to 1973

Export sales	£33,004,504
Salaries and wages	£ 7,102,366
Supplies, services and other purchases	£11,392,192
Surface exploration, mine area	£ 374,257
Capital expenditures	£ 8,473,673
Repayment of borrowed funds	£ 8,958,000

Capital Expenditures

Capital expenditures during the year amounted to $569,000. Additional trackless equipment for the underground operation and standby diesel generators constituted the major portion of these expenditures.

Operating Costs

Total operating costs per ton milled including surface exploration and marketing increased 10.6% over last year. While the adoption of trackless mining methods in certain areas of the mine has resulted in improved efficiencies and related lower costs, these were more than offset by increased labour and supply costs throughout the year.

General

The average prices received during the year for lead and zinc were £175.46 and £214.89 per metric ton respectively, the equivalent of 19.50 and 23.88 cents per pound of metal compared to £121.12 (13.63 cents) and £156.15 (17.57 cents) for 1972.

On March 31, 1973 the first dividend was declared. During the year a total of $8,967,000 was distributed to shareholders, 25% of which went to Silvermines Limited, an Irish company.

At year end there was a total work force of 577. Total expenditures for salaries and wages amounted to $4,249,422, an increase of 39% over last year, and represented 43% of total operating costs including exploration and marketing. Part of this increase can be attributed to the fact that similar expenditures for 1972 were below normal due to suspension of production for a period of approximately six weeks following a plant fire.

On December 27, 1973 the skip hoist motor burned out resulting in the suspension of milling operations until January 19, 1974. Some of the losses arising from this suspension are covered by insurance.

Australian Operations

Australia — Pine Vale Group

During 1973 and subsequent to the year end the Company purchased additional shares of Pine Vale Mines Limited and now holds 62.1% of the issued shares. In turn, Pine Vale owns 55% of the issued shares of Beaver Exploration Australia N.L., 63.1% of the issued shares of Otter Exploration N.L. and 50.6% of the issued shares of Parkland & Properties Limited. Pine Vale is currently making a take-over offer to the other shareholders of Parkland. These Australian companies are collectively referred to as the "Pine Vale Group".

Pine Vale Mines is principally a holding company while Beaver and Otter explore respectively for oil and gas and minerals. Parkland & Properties owns and operates a chain of caravan parks and engages in real estate development.

At the year end the Pine Vale Group had working capital, including marketable securities at market value, of $8,215,000 and long term debt of $2,204,000.

Woodside-Burmah Oil N.L.

Additional shares of Woodside-Burmah were purchased by the Pine Vale Group during the year. At the year end the Pine Vale Group's total holding exceeded 2.3 million fully paid and contributing shares with a market value of $5,281,000.

During 1973 Woodside-Burmah, utilizing up to four rigs, drilled thirteen wells on its off-shore oil and gas exploration concessions on the North West Shelf of Australia. Of these, three were step out wells in the Goodwin and Angel Fields, both of which have been proved as commercial fields. Three new oil discoveries were made and, although none of these indicated the presence of large oil reserves, they further confirmed the potential of the area for major oil discoveries in the future. In February, 1974 Woodside-Burmah announced that the first step had been taken towards obtaining production licenses in the North Rankin, Goodwin and Angel gas condensate fields. Revised total recoverable gas reserves for this Rankin Trend are now stated as 18 trillion cubic feet. During the first part of 1974 three wells have been completed, one of which produced a small non-commercial flow of oil. Another three wells are currently drilling, one of which has reported hydrocarbon shows.

Beaver Exploration Australia N.L.

Notwithstanding the general decrease in exploration in Australia, mainly caused by inhibiting government policy, Beaver maintained a high degree of activity during the year. Work was performed on all of its concession areas including field geological surveys, geophysical surveys and exploration drilling. In addition, new areas of interest have been acquired and applications are pending on areas in Australia and New Guinea.

Beaver's principal exploration activities were as follows:

(i) The joint venture group consisting of Amax Petroleum (Australia) Inc., as operator, Beaver, Mitsui and Company Limited and Sumitomo Shoji Kaisha Ltd. drilled the first well on the 3,198 square mile off-shore exploration permit on the North West Shelf of Australia acquired under a farm-out from the Woodside-Burmah Group. The well was drilled to a depth of 2,764 metres but because of severe drilling difficulties was plugged and abandoned. Further geophysical surveys are planned on the concession block to delineate the location of a possible second well which may be drilled in late 1974. Beaver's net interest in any production would be 12½%.

(ii) In Papua, Beaver in participation with its partners, Continental Oil Company of Australia Limited, Basin Oil N.L. and Reef Oil, N.L., drilled two wells on a 9,650 square mile permit. A drill stem test on the first well resulted in the production of gas at a calculated rate of flow of 284,000 cubic feet per day. The second well located 1.5 miles east of the first well was unsuccessful. Although the results of these two wells were disappointing, information gained justifies additional exploration. Prior to the drilling of these wells, Beaver was successful in negotiating a farm-out of a portion of its interest in this permit to El Paso Natural Gas Co. of Texas on favourable financial terms. Beaver retains an 8⅓% interest in the permit area.

(iii) Other activities included study of seismic data on the 6,460 square mile off-shore permit in the Arafura Sea in which Beaver holds a 20% carried interest. Detailed geophysical surveys are planned. As and when drilling is warranted, Beaver must elect, subject to government approval, to reduce its carried interest to 5%, or to accept, in effect, a 5% carried interest and a 15% working interest. Geological surveys and studies were conducted and continue on two adjacent petroleum exploration licenses covering 9,990 square miles in New South Wales. Similar work is continuing on a large concession area in the east coast basin of New Zealand's North Island.

Otter Exploration N.L.

In Australia, Otter's major efforts have been directed towards the search for copper in Queensland and several selected areas are considered to have good base metal potential. The results of geochemical and geophysical examinations conducted over three separate areas warrant continuing programs, including diamond drilling. Several base metal and precious metal prospects in New South Wales were explored and exploration continued steadily throughout the year in the northern part of New Zealand's South Island. In addition to these ongoing programmes, new exploration ventures are planned to search for nickel in Western Australia and uranium in North Queensland and the Northern Territory.

Parkland & Properties Limited

Parkland owns five caravan parks on prime real estate on the east coast of Australia. All of the parks enjoyed high occupancy rates during 1973 and operated profitably. It is considered that the realty value of each park location has shown substantial increase. The establishment of new parks and expansion of the chain is being actively pursued. Parkland has entered into a joint venture for the development of an attractive industrial site in the Brisbane area.

Other

The Pine Vale Group also holds the following investments:

1) 100% of the issued shares of Drilling Contractors (Australia) Pty. Limited held by Beaver. Drilcon owns and operates three land oil drilling rigs. During the year four wells were drilled by Drilcon in Australia compared with eighteen in the prior year. Exploration and drilling activity in Australia is at a low ebb as a result of Federal Government policies.
2) 28% of the issued shares of McDonald Industries Limited held by Pine Vale. McDonald is engaged in real estate and property development.

Exploration

In 1973, more than $3,400,000 was expended by International Mogul and its subsidiaries in a world-wide search for minerals and oil and gas. Exploration activities were carried on in Australia, Canada, Greenland, Republic of Ireland, Italy, New Zealand, Papua, Portugal, Spain and the United States. Major programmes are continuing and new programmes are now in progress or planned.

During the past year Mogul of Ireland continued surface diamond drilling on its property and significantly increased ore reserves. The Australian Pine Vale Group of companies carried on numerous programs exploring for minerals and oil and gas. Details of these activities are reported under their respective headings elsewhere in this report.

International Mogul explored for minerals on its own behalf and in participation with others. The main exploration projects of the Company during 1973 are described below.

Canada

(i) In the James Bay area of Quebec a diamond drilling programme was conducted on the property of Duncan Range Iron Mines Limited, an associated company in which International Mogul has a 37% interest. The programme, instituted after consultation with The James Bay Development Corporation, was designed to provide preliminary drill indications of iron ore potential on portions of the property which may be flooded in the planned hydro-electric power development for the area. Drilling confirmed the prospect of several hundred millions of tons of taconite-type material grading approximately 25% soluble iron. Metallurgical and beneficiating tests are planned.

(ii) The Company, with Bethlehem Copper Corporation Ltd. participating, conducted a programme of geophysical examination and diamond drilling on several claim groups in the Amos-Duparquet area of the Province of Quebec. Drilling will continue in this search for base and precious metals.

(iii) Two sizeable concession areas are held in the Province of Newfoundland. In the Lewisporte-Birchy Lake area, in the west-central section of the province, aerial surveys and ground evaluation delineated specific drilling targets for base metals. In the Gander-Ragged Harbour area near Gander extensive ground evaluation is planned with Bethlehem Copper Corporation Ltd. participating.

(iv) Diamond drilling on the Chataway prospect in the Highland Valley area of British Columbia did not return results sufficient to warrant further testing.

(v) A surface exploration programme, including diamond drilling, was carried out with another mining company participating, on claims in Mann Township near Timmins, Ontario. Further examination of this prospect is contemplated.

(vi) Expenditures on the Lake Ainslie property on Cape Breton Island, Nova Scotia, were minimal during the year and mainly of a caretaker nature. No programme has as yet been devised to bring this property into production and no further work in this connection is contemplated at the present time. Approximately 4.5 million tons grading an average of 33.37% barite and 17.42% fluorite have been drill-indicated.

Republic of Ireland

Basin Exploration (Ireland) Limited, a wholly-owned subsidiary, continued to explore for base metals in several areas held under prospecting licenses in participation with Bethlehem Copper Corporation Ltd. In this programme diamond drilling is planned to test lead-zinc mineralization discovered on an area in County Galway and another in County Dublin. Also, preliminary evaluation will commence on a newly acquired area with favourable geological setting in County Meath.

In County Clare drilling did not return results of interest. The drilling programme planned in County Cork was again deferred until 1974.

Spain, Portugal and Italy

Early in 1973, an exploration project commenced to explore, evaluate and acquire mining properties in Continental Europe. To date activities have been centered in Spain, Portugal and Italy with the major efforts in Italy. In Spain a silver-lead-zinc mining belt extending over a distance of some 18 by 5 miles has been granted by the State. Geological studies reveal that there were many ancient producers in this belt. Geophysical surveys are planned and, if warranted, diamond drilling. In Northern Italy a promising base metal belt is being explored in detail and numerous permits were acquired during the year over past producing properties. Preliminary exploration work warrants drilling on at least three prospects.

United States

(i) The Cordex Syndicate, to which the Company provides 25% of the exploration costs for a 20% interest, completed detailed drilling on the Pinson gold deposit in Nevada. This property was formerly under option to another company. Independent evaluation gives an estimate of 1,460,000 tons grading 0.179 ounces of gold per ton in a proposed open pit operation. Metallurgical and production feasibility studies are in progress.

(ii) Late in the year a programme commenced to explore zinc potential in Tennessee. This programme is continuing and some encouraging results have been obtained.

Investments

Real Estate

In October, the Company sold its six-story office building and land at 34 Adelaide Street West, Toronto, for a sale price of $1,225,000. The purchase price of these premises in late 1970 including cost of improvements was $764,000.

Early in 1974, the Company purchased for long term investment the twelve-storey office building and a leasehold interest in the land at 365 Bay Street, Toronto (S.E. corner of Bay and Richmond Streets), for a purchase price of $4,120,000. The land area of approximately 8,450 square feet is leased for a 99-year period expiring in 2061. The building was built in 1962 and is classified in the category of the better designed and constructed office buildings in Toronto, with a net rental area of 90,000 square feet. The purchase price was paid as to $1,000,000 in cash and the balance by the assumption of a 5¾% mortgage held by a Canadian bank in the amount of $2,526,000 maturing in 1998, and by a 10% mortgage given by the vendor in the amount of $594,000 maturing in 1979.

Bluemount Resources Ltd.

The Company owns 300,000 shares of Bluemount, representing 15.4% of the outstanding shares. The remaining outstanding shares are held principally by certain institutional investors and Bluemount employees and are not publicly traded.

Since September, 1970 Bluemount has conducted, supervised and managed an exploration programme for oil and gas in Western Canada, principally Alberta, for its own account as to a 33⅓% interest, and for Northern Natural Gas Company of Omaha, Nebraska, as to a 66⅔% interest. Annual budgets for 1970, 1971, 1972 and 1973 approved by Northern amounted in total to approximately $13.3 millions. Because of a difference in exploration philosophies, Northern was unwilling to approve the budget for 1974 and has paid Bluemount $600,000 being the minimum fee payable under the Bluemount-Northern agreement. The agreement between the parties was recently terminated and the directors of Bluemount are now considering plans for the future.

As of the year end Bluemount had drilled 43 exploratory wells. In six of these wells the presence of hydrocarbons has been established and further testing and evaluation is required. At the year end Bluemount held 182,560.74 net acres of oil and gas rights as shown in the following acreage summary.

	Gross	Net
Total leasehold acreage	411,408.28	113,339.65
Total permit/reservation acreage	428,293.00	69,221.09
	839,701.28	182,560.74

Coldstream Mines Limited

The Company owns 460,599 shares in the capital of Coldstream which represents approximately 15.8% of the outstanding shares.

Coldstream's principal asset is 995,585 common shares in the capital of the Company which represents approximately 38.2% of the issued common shares.

Other assets of Coldstream include approximately 67% of the outstanding shares of City Associated Enterprises Limited and 72.7% of the shares of Interscan Limited.

City Associated, a Bahamian company, operates a chain of retail stores and a dry cleaning business in the Bahamas and participates with French interests in a department store. City Associated operated profitably in 1973.

Interscan markets, under franchises, a range of computer input products in the United Kingdom, Ireland and Continental Europe. Its computer input marketing division operated profitably in 1973. During 1973 Interscan acquired control of GCL Graphic Communications Limited by selling its European operations to GCL for a share consideration which together with additional shares acquired independently represent approximately 81.3% of the issued GCL shares. GCL holds the distribution rights in Canada, the United Kingdom and the Republic of Ireland for graphic transceivers and facsimile transmission devices manufactured by Graphic Sciences, Inc. of Danbury, Connecticut, U.S.A. and marketed under the name "Dex". The Dex machines are capable of sending or receiving documents, photographs, written or other graphic material to or from a similar machine requiring only local or long distance telephone for transmission and a conventional wall plug for electrical power.

I.M.M. Ventures Limited

Through its wholly owned subsidiary, I.M.M., the Company invested principally in 1969 and 1970 in certain new ventures. Included in I.M.M.'s shareholdings are the following: 73.7% of the issued shares of Electrical Contacts Limited which manufactures and sells products processed from metal powders to manufacturers of electrical equipment; 50.5% of the issued shares of Federal Drilling Supplies Limited which manufactures and sells drilling parts and supplies to the diamond drilling and mining industry; 49.0% of the issued shares of Galanty Limited which is engaged in acquiring the rights to material which can be developed into scripts for motion picture and television programs and which owns 6.7% of the issued common shares of Channel Seventy-Nine Limited, a Toronto television station; and 60.8% of the issued shares of Nielbeck Research and Manufacturing Limited which is engaged in designing and developing coin changing units for the automatic vending machine industry.

Electrical Contacts operated at a small loss during 1973, its second year of operations. A modest plant expansion is planned and sales are expected to double in 1974. It is now operating profitably.

Federal Drilling operated at a small loss during 1973 but showed an improvement compared with its previous two years of operations. An increased sales volume is forecast for 1974.

Galanty hopes to commence its first film production soon. Galanty retains its 6.7% interest in the issued common shares of Channel Seventy-Nine Limited (City TV), a Toronto television station.

Nielbeck is continuing field testing of its coin changing units to establish an acceptable product which can be produced in volume.

New Quebec Raglan Mines Limited

The Company's holdings of 567,420 shares of Raglan, being 7.3% of the outstanding shares, did not change during the year. Falconbridge Nickel Mines Limited beneficially owns approximately 68.3% of Raglan's outstanding shares.

No work was carried out in 1973 on Raglan's property which comprises over 300 square miles in the nickel-copper belt of the Cape Smith-Wakeham Bay sector of the Ungava area of Quebec. However, the directors of Raglan report that detailed engineering studies, prepared to investigate the feasibility of bringing the property into commercial production at a rate of 1,500 tons per day are being evaluated.

Raglan's ore reserves did not change during the year and are estimated, including dilution, as follows:

	Tons	Grade % Ni	% Cu
Donaldson Mine — Underground Exploration Well assured reserves	3,021,000	3.06	0.73
Katiniq Deposit — Surface Drilling Indicated by closely spaced holes	5,276,000	2.42	0.70
Assumed extensions of ore within lateral limits of drilling	5,000,000	2.42	0.70
2 — Area — Surface Drilling	660,000	2.43	0.72
Assumed extensions of ore within lateral limits of drilling	500,000	2.43	0.72
3 — Area — Surface Drilling	1,093,000	2.81	0.69
Assumed extensions of ore within lateral limits of drilling	500,000	2.81	0.69
	16,050,000	2.58	0.71

Natural Gas Development and Production

At the time the Company was arranging to participate in the financing of Mindamar Energy Resources Limited, attractive opportunities were found to purchase overriding royalty interests and certain working interests in oil and gas leases in the Lipan Field operated by Mindamar. The Company accordingly purchased for an aggregate cost of $3.73 millions overriding royalty interests and working interests which are expected to return a substantial cash flow.

In addition to its Lipan Field interests, the Company purchased for $2,145,000 an interest in just over 2% of oil and gas production from leases comprising over 6,600 acres in Hemphill County, Northern Texas.

Subsequently it was discovered that these royalty interests have a value significantly less than their purchase price. (See Note 4 to the financial statements.)

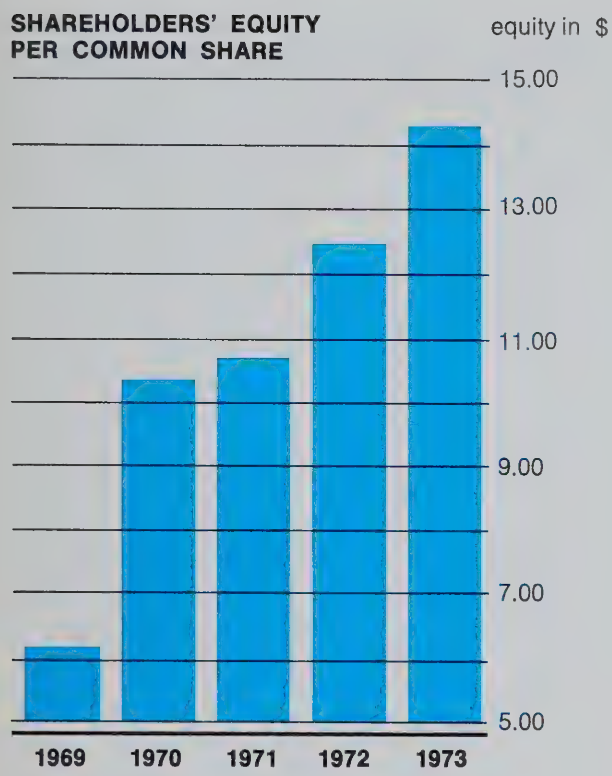
Just prior to the year end and shortly thereafter the Company was successful in arranging to participate with well regarded interests in Dallas in the exploration of approximately 325,000 acres of oil and gas leases in the Fort Worth Basin area of Texas and also in a joint venture to acquire and explore oil, gas and mineral leases in a large area of the Eastern United States extending from the State of New York to the State of Alabama. Beaver Exploration Australia N.L. and Mindamar Energy Resources are participating in these exploration projects.

Mindamar Energy Resources Limited

During 1973 the Company participated in the financing of Mindamar and now owns 969,250 shares being 21.9% of the outstanding shares. As part of the financing arrangements, the Company guaranteed a bank loan of Mindamar of up to $2.5 million for a period of up to three years. The guarantee is secured by a collateral mortgage on oil and gas leases in Texas held by Mindamar. The Company also purchased certain overriding royalties owned by Mindamar.

Mindamar has reported that is is developing oil and gas leases comprising approximately 9,200 acres in the Fort Worth Basin in central Texas. Development started early in 1973 in an undeveloped area known to have gas productive sandstones in the Pennsylvania formation and to date 24 wells have been drilled revealing multiple gas reservoirs lying between 500 feet and 4,000 feet. The significant gas field being developed is known as the Lipan Field, and the extractable gas reserves on the Mindamar acreage are expected to approach 150 billion cubic feet. Mindamar plans to drill at least an additional 30 wells. Under a twenty year gas sales and purchase contract, Texas Utilities Fuel Company will pay an effective price of 78¢ per thousand cubic feet with provision for price increase of a minimum of one cent annually and subject to price redetermination from time to time if contract prices are lower than prevailing prices.

Mindamar also owns exploration rights in Colorado and Wyoming, the State of Quatar on the Arabian Gulf, the Dutch North Sea and offshore Ireland.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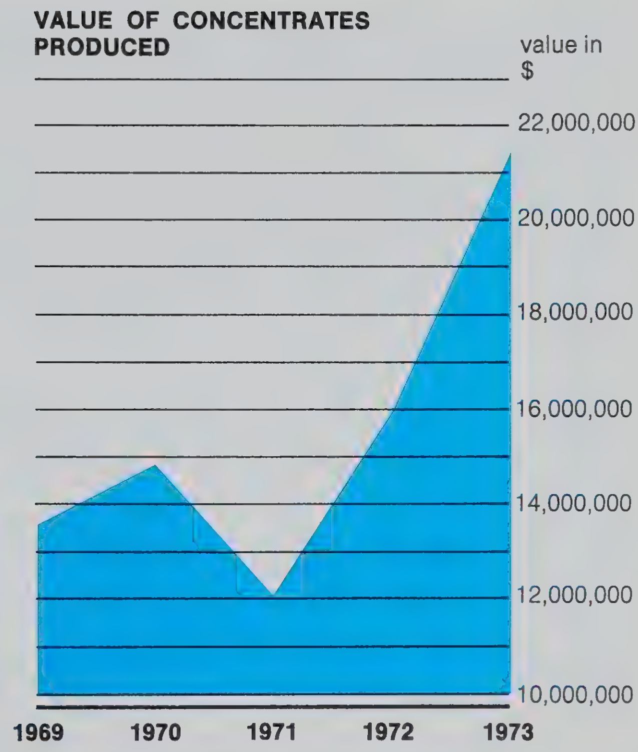
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Supplementary Financial Information

Accounting for corporate operations, including those of International Mogul, which now has in excess of fifty subsidiary companies, is becoming extremely complex. Accounting principles are changing regularly and principles which were acceptable a few years ago no longer apply.

Financial statements included in the Annual Reports of many public companies include only the minimum information required by law or the various regulatory bodies. Further information could be provided in some cases to more adequately explain certain items appearing in the financial statements. To assist our shareholders toward a fuller understanding of International Mogul's financial statements, we offer the following supplementary information.

General

International Mogul follows the principle of consolidating the accounts of all its subsidiaries (owned more than 50%), and accounts on an equity basis for effectively controlled companies. In 1972 the Company consolidated the balance sheet of Pine Vale Mines Limited (and its subsidiaries) which was only 47.7%-owned, as Management believed that such a presentation more accurately reflected the overall financial position of the Company. Pine Vale Mines is now a subsidiary.

The basis of translating into Canadian dollars the accounts of thirty-three foreign subsidiary companies now held by International Mogul is set out in Note 1 to the financial statements.

Working Capital

The Company remains in a strong financial position. Working capital at the end of 1973 amounted to $11,891,000, up from $10,373,000 at December 31, 1972.

Most of the cash and short-term deposits was held by the Pine Vale Group of Companies and Mogul of Ireland Limited at the end of 1973. The bank loan in Canada was principally required for the Company's investment in gas properties in Texas and the purchase of its interest in Mindamar Energy Resources Limited. Accounts receivable were high at year-end due to temporary financing of approximately $850,000 provided by agreement to Mindamar Energy Resources pending completion of the bank guarantee referred to in Note 14 to the financial statements. The bank guarantee has now been finalized and the temporary loan has been repaid.

Although the sale of the Company's interest in The Grand Bahama Development Company, Limited did not occur until February 15, 1974 the net value to be realized from the sale, amounting to $4,398,000, has been included in current assets at December 31, 1973. The resulting loss of $780,000 is shown as an extraordinary item on the consolidated statement of income for 1973.

The main portion of marketable securities is the Pine Vale Group's major investment in Woodside-Burmah Oil N.L. Although the quoted value of Woodside-Burmah shares declined during 1973 it continued to be in excess of cost. The quoted market value of all the Company's marketable securities is slightly less than total carrying value.

Investments

Shares With Quoted Market Value

The market value of these investments is just below cost at December 31, 1973 whereas at the end of 1972 cost exceeded market value by $1,434,000. The principal investments in this category include Mindamar Energy Resources Limited, New Quebec Raglan Mines Limited, Coldstream Mines Limited and McDonald Industries Limited.

Management believes that all these investments have growth potential which cannot be easily measured by reference to their book value or related market quotations.

Shares Without Quoted Market Value and Advances

This item may be summarized as follows:

Shares, at cost	$2,047,000
Advances	1,765,000
	$3,812,000

Securities included in this section are Bluemount Resources Limited, Galanty Limited and sundry other holdings.

Advances represent loans to related and associated companies. Substantially all of these advances bear interest and in Management's opinion are well secured and will be repaid.

Fixed Assets

Details of fixed assets are set out in Note 3 to the financial statements together with the policy for providing for depreciation, depletion and amortization of assets.

Mogul of Ireland's mining and milling plant, having a net book value of $7,735,000, is included in this section. Mogul of Ireland is now free of debt and it is anticipated that a significant cash flow will be generated from this source in future years. Most of the cash flow of $7,644,000 or $2.93 per common share for 1973 was contributed by Mogul of Ireland.

Repairs, maintenance and major development costs at Mogul of Ireland have been charged to operations. Only major improvements and replacements are capitalized as fixed assets.

Interests in Gas Production

This item includes royalty interests and working interests in oil and gas leases in the Lipan field, in the Fort Worth Basin area of Texas, operated by Mindamar Energy Resources Limited. It also includes royalty interests held in Hemphill County, Texas. (See Note 4 to the Financial Statements.)

The costs attributable to these interests in gas production will be written off over the life of the fields based on reserves established from time to time.

Property Interests and Deferred Exploration

The Company follows the practice of deferring the acquisition cost of and exploration and development expenditures on, non-producing mining, oil and gas properties. The mining properties are located in North America, Ireland, Australia and Continental Europe. The oil and gas interests are situated in Texas, Australia and Canada.

It is the Company's practice to defer the costs of these interests and carry them as an asset until the property, project or lease is abandoned, when the costs are written off to income.

Deferred Pre-Production Expenditures and Other Charges

The major portion of this item is preproduction expenditures of Mogul of Ireland recorded at $5,297,000. These expenditures are amortized each year on the same basis as the fixed assets of Mogul of Ireland Limited (see Note 3 to the financial statements).

Non-Income Producing Assets

The Company has material investments which are not income bearing but which do have potential growth. These include the Australian investments, New Quebec Raglan, Coldstream etc. Of the total assets of approximately $67,200,000 about $48,600,000 represents assets which are presently non-income producing assets.

Long-Term Debt

Details of long-term debt are outlined in Note 7 to the financial statements. The mortgages totalling $2,292,000 are debts of the Pine Vale Group of Companies and Federal Drilling Supplies Limited. The notes payable resulted from the purchase of the gas interests in the Lipan field, in the Fort Worth Basin of Texas. These notes are payable in 1974 and 1975.

Consolidated Statement of Income

Consolidated net income for the year before extraordinary items increased to $7,867,000 from $4,431,000 in 1972, an improvement of 77%. Earnings after extraordinary items increased by 31%.

Comparison of individual items in the consolidated statement of income for 1973 and 1972 indicates large differences in some items. The larger differences and the reasons for them follows:

(a) Revenue from production of concentrates by Mogul of Ireland Limited increased by $5,446,000 over 1972. Higher metal prices for zinc and lead which existed throughout 1973 as well as a 13% increase in tonnage of ore milled were responsible for the major part of this increase. Mine operating costs increased by $2,430,000 due to higher labour and supply costs, the greater tonnage treated and the fact that the mill operated for the whole of 1973, whereas it was closed down for approximately six weeks in 1972 due to a fire in the mine facilities.

(b) The consolidated statement of income for 1973 includes the operations of the Pine Vale Group of Companies. This Group was treated for accounting purposes as a purchase effective December 31, 1972 and accordingly the operating results for 1972 are not included in the income statement. This affects the comparison of some items on the statement of income, the main items being sale of manufactured goods and services, cost of manufactured goods sold and services,

administrative and general expenses, exploration expenditures and related costs and gain on currency revaluations.

(c) The losses suffered by the Pine Vale Group of Companies are responsible for the large decrease in the interests of minority shareholders in net income of subsidiaries. Most of the companies included in the consolidated financial statements have minority shareholders and the following analysis of the consolidated statement of income outlines their interests:

	Per Statement of Income	Interest of Minority Shareholders	Net
Production of concentrates	$21,460,000	$5,365,000	$16,095,000
Sales of manufactured goods and services	2,104,000	1,146,000	958,000
	$23,564,000	$6,511,000	$17,053,000
Expenses			
Cost of concentrate production	9,614,000	2,448,000	7,166,000
Cost of manufactured goods sold and services	1,755,000	987,000	768,000
Depreciation, depletion and amortization	1,852,000	581,000	1,271,000
Royalty expense	412,000	103,000	309,000
Administrative and general expense	1,411,000	334,000	1,077,000
Interest on long-term debt	106,000	57,000	49,000
Exploration and property maintenance	1,014,000	611,000	403,000
Exploration expenditures and related costs on properties abandoned	865,000	500,000	365,000
	17,029,000	5,621,000	11,408,000
	6,535,000	890,000	5,645,000
Other Income (Net)			
Interest	316,000	182,000	134,000
Gain on currency fluctuations	1,933,000	485,000	1,448,000
Gain on investments, marketable securities and fixed assets	636,000	(26,000)	662,000
	2,885,000	641,000	2,244,000
	9,420,000	1,531,000	7,889,000
Income Taxes	39,000	17,000	22,000
Income Before Extraordinary Items	$ 9,381,000	$1,514,000	$ 7,867,000

(d) The operations of I.M.M. Ventures Limited improved by 3¢ per share over 1972.

(e) Mining and oil and gas exploration costs and related costs on properties abandoned were much greater than in 1972. The details of exploration expenditures for the year follows:

	Expended in Year and Deferred at Year-end	Expended and Written Off During Year	Prior Years Costs Related to Properties Abandoned During Year
Australia	$ 972,000	$ 915,000	$721,000
North America	820,000	99,000	144,000
Ireland	228,000		
Europe, excluding Ireland	355,000		
General	76,000		
	$2,451,000	$1,014,000	$865,000

Property interests are carried at acquisition cost together with the cost of direct exploration and development work thereon.

(f) Currency fluctuations had a significant impact on the Company's operations. In some instances it is possible to accurately calculate gains or losses, such as the effect of revaluations or devaluations of foreign currencies and gains or losses resulting from year-end currency translations. However, the effect of day to day currency fluctuations cannot be accurately calculated, as for example the deterioration of sterling in terms of dollars during the year.

While the European producer price for zinc is generally adjusted upwards if sterling is effectively devalued with relation to other major currencies, there is usually a time lag before the producer price is raised. During this interval the dollar value of concentrates produced by Mogul of Ireland is reduced as metal prices are quoted in sterling. For example, immediately after the producer price was raised to £300 per metric ton in November 1973 Mogul of Ireland was receiving the equivalent of 33¢ per pound for zinc. At year-end using the same producer price and the then existing exchange rates the equivalent value of a pound of zinc was only 31.5¢. Mogul of Ireland was effectively receiving 1.5¢ less for each pound of zinc priced during this period.

Currency realignments also resulted in a large increase in smelter charges during the year.

The following summary sets out the measurable effect on income of fluctuations during the year.

Net gain on currency fluctuations to International Mogul as shown in above consolidated statement of income	$1,448,000
Less: Agreed increase in smelter charges of Mogul of Ireland deducted from revenue from production of concentrates due to devaluation of the U.S. dollar in relation to the West German mark and French franc (net of interest of minority)	780,000
Net effect	$ 668,000

(g) During the year Mogul of Ireland was assessed for income and Corporation profits taxes on interest income only. The charge to retained earnings of $102,000 represents the taxes applicable to interest earned in prior years and $27,000 was charged against income during 1973.

Auditors' Report

To the Shareholders of
INTERNATIONAL MOGUL MINES LIMITED

We have examined the consolidated balance sheet of International Mogul Mines Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co
Chartered Accountants

Toronto, Canada
February 28, 1974
(April 29, 1974 as to Notes 4 and 6)

International Mogul Mines Limited
(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

December 31, 1973
(with comparative figures at December 31, 1972)

Assets	**1973**	1972
CURRENT ASSETS		
Cash and short-term deposits	**$ 4,011,000**	$ 5,032,000
Accounts receivable	**2,075,000**	1,980,000
Investment in The Grand Bahama Development Company, Limited, at net realizable value (note 14)	**4,398,000**	
Concentrates on hand and in process of settlement, at net realizable value	**4,127,000**	2,569,000
Marketable securities (note 2) (quoted market value 1973, $6,507,000; 1972, $9,782,000)	**6,635,000**	6,072,000
Inventories, at cost	**1,464,000**	1,457,000
Prepaid expenses and deposits	**460,000**	201,000
	23,170,000	17,311,000
INVESTMENTS (note 2)		
Shares with quoted market value (quoted market value 1973, $10,983,000; 1972, $8,447,000)	**11,110,000**	9,881,000
Shares without quoted market value and advances	**3,812,000**	3,311,000
	14,922,000	13,192,000
FIXED ASSETS (note 3)	**13,966,000**	11,749,000
INTERESTS IN GAS PRODUCTION (note 4)	**3,835,000**	
PROPERTY INTERESTS and DEFERRED EXPLORATION (note 5)		
Mining	**5,027,000**	3,422,000
Oil and gas	**703,000**	986,000
	5,730,000	4,408,000
DEFERRED PREPRODUCTION EXPENDITURES and other charges, amortized value (note 3)	**5,587,000**	6,107,000
	$67,210,000	$52,767,000

Liabilities	**1973**	1972
CURRENT LIABILITIES		
Bank loan, secured by certain investments	**$ 4,520,000**	$ 3,662,000
Dividends payable	**416,000**	
Accounts payable and accrued liabilities	**3,558,000**	2,519,000
Royalties payable	**383,000**	410,000
Income taxes payable	**273,000**	157,000
Current portion of long-term debt	**2,129,000**	190,000
	11,279,000	6,938,000
LONG-TERM DEBT (note 7)	**2,263,000**	929,000
INTERESTS OF MINORITY SHAREHOLDERS (note 8)	**10,547,000**	12,314,000
Shareholders' Equity		
CAPITAL STOCK (notes 9 and 10)	**16,924,000**	11,061,000
CONTRIBUTED SURPLUS (note 9)	**2,069,000**	2,028,000
RETAINED EARNINGS	**24,128,000**	19,497,000
	43,121,000	32,586,000
	$67,210,000	$52,767,000

Subsequent Events (note 14)

Approved by the Board:

"D. W. Knight", Director

"L. C. Burns", Director

Consolidated Statement of Income

Year ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
REVENUE		
Production of concentrates	$21,460,000	$16,014,000
Sale of manufactured goods and services	2,104,000	870,000
	23,564,000	16,884,000
EXPENSES		
Cost of concentrate production	9,614,000	7,184,000
Cost of manufactured goods sold and services	1,755,000	665,000
Depreciation, depletion and amortization (note 3)	1,852,000	1,781,000
Royalty expense	412,000	394,000
Administrative and general expense	1,411,000	964,000
Interest on long-term debt	106,000	309,000
Exploration and property maintenance	1,014,000	103,000
Exploration expenditures and related costs on properties abandoned	865,000	72,000
	17,029,000	11,472,000
	6,535,000	5,412,000
OTHER INCOME (NET)		
Interest	316,000	141,000
Gain on currency revaluations	1,933,000	378,000
Gain on investments, marketable securities and fixed assets	636,000	257,000
	2,885,000	776,000
	9,420,000	6,188,000
Income taxes (note 6)	39,000	
Income before interests of minority shareholders and extra-ordinary items	9,381,000	6,188,000
Interests of minority shareholders in net income of subsidiaries	1,514,000	1,757,000
INCOME BEFORE EXTRAORDINARY ITEMS	7,867,000	4,431,000
Extraordinary items (note 11)	(1,850,000)	173,000
NET INCOME FOR THE YEAR	$ 6,017,000	$ 4,604,000
EARNINGS PER COMMON SHARE (after preference share dividends)		
Before extraordinary items	$2.93	$1.70
Net income for the year	$2.22	$1.77
Fully diluted earnings per share (note 12)		

Consolidated Statement of Retained Earnings

Year ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
Retained earnings at beginning of year	$19,497,000	$14,893,000
Net income for the year	6,017,000	4,604,000
	25,514,000	19,497,000
Deduct		
Dividends		
Common Shares	652,000	
Preference Shares	225,000	
Prior years' income taxes (note 6)	102,000	
Preference Share issue expense	407,000	
	1,386,000	
RETAINED EARNINGS AT END OF YEAR	$24,128,000	$19,497,000

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
SOURCES OF WORKING CAPITAL		
From operations		
Income before interests of minority shareholders and extraordinary items	**$ 9,381,000**	$ 6,188,000
Charges against income not involving the use of working capital		
Depreciation, depletion and amortization	**1,852,000**	1,781,000
Other	**96,000**	55,000
	11,329,000	8,024,000
Extraordinary gain (losses) (note 11)	**(1,850,000)**	773,000
Net realizable value of investment in The Grand Bahama Development Company, Limited	**4,398,000**	
Cost of office building sold	**764,000**	
Cost of investments sold	**1,203,000**	1,144,000
Issue of preference and common shares for cash	**6,007,000**	
Issue of capital stock of a subsidiary to minority shareholders	**230,000**	
Increase in long-term debt	**1,118,000**	
Increase in working capital arising from acquisition of interest in Pine Vale Group		4,992,000
Incentive grants and other	**323,000**	123,000
	23,522,000	15,056,000
APPLICATIONS OF WORKING CAPITAL		
Investments in shares and advances	**7,556,000**	1,145,000
Interests in gas production	**3,835,000**	
Dividends of Mogul of Ireland Limited paid to a minority shareholder	**2,242,000**	
Additions to fixed assets	**1,786,000**	306,000
Property interests and deferred exploration	**2,585,000**	338,000
Additional acquisitions in the Pine Vale Group	**1,454,000**	
Reduction of long-term debt	**892,000**	6,569,000
Dividends on preference and common shares	**877,000**	
Preference share issue expense	**407,000**	
Deferred preproduction expenditures	**165,000**	34,000
Cost of preference shares purchased for cancellation	**103,000**	
Prior years' income taxes	**102,000**	
Other		160,000
	22,004,000	8,552,000
Increase in working capital	**1,518,000**	6,504,000
Working capital at beginning of year	**10,373,000**	3,869,000
WORKING CAPITAL AT END OF YEAR	**$11,891,000**	$10,373,000

Notes to Consolidated Financial Statements

Year ended December 31, 1973

1. Basis of Consolidation

(a) Subsidiaries Consolidated

The consolidated statements include the accounts of all the Company's subsidiaries, the principal ones being:

	% Owned	Accounts Expressed in
Mogul of Ireland Limited	75	£ Sterling
Mogul Petroleum Corporation (note 4)	100	$ United States
I.M.M. (Trading) Pty. Limited	100	$ Australian
I.M.M. Ventures Limited	100	$ Canadian
Lorado of Bahamas, Limited	100	$ United States

(b) Foreign currency translation

In the accompanying financial statements, current assets, current liabilities and long-term debt have been translated at the prevailing rates of exchange as at December 31, 1973 and 1972 respectively. Other assets have generally been translated at the average rate of exchange for the years in which they were acquired. Income and expense items have been translated at the average rate of exchange during each year, except that depreciation, depletion and amortization are translated at the same rates as related assets.

(c) I.M.M. (Trading) Pty. Limited and the Pine Vale Group

At December 31, 1972 the consolidated balance sheet of I.M.M. (Trading) Pty. Limited included, on a fully consolidated basis, the accounts of an effectively controlled company, Pine Vale Mines Limited, and its subsidiaries (Pine Vale Group). Late in 1973 the Company increased its interest in the Pine Vale Group from 47.7% to 59.9% and the results of its operations have been reflected in the Consolidated Statement of Income commencing January 1, 1973.

During the year the Pine Vale Group increased its interest in Parkland & Properties Limited to 50.6% through a purchase of additional shares. The acquisition was accounted for as a purchase effective July 1, 1973 and accordingly the results of its operations have been included in the Consolidated Statement of Income commencing July 1, 1973.

Details of the additional acquisitions in the Pine Vale Group are as follows.

	1973	1972
Net assets acquired		
Proportion of net assets at book value	$1,781,000	$3,694,000
Adjustment to fair value applied as follows		
Marketable securities	(409,000)	543,000
Fixed assets	101,000	
	$1,473,000	$4,237,000
Consideration given		
Cash	$1,473,000	$2,461,000
Exchange of shares		$1,776,000
	$1,473,000	$4,237,000

2.(a) Marketable Securities

The carrying value of marketable securities at December 31, 1973 exceeded the total quoted market value by $128,000. The total quoted value of all marketable securities held by the Company and its subsidiaries exceeds total cost by $6,000. On consolidation of the Pine Vale Group the accumulated excess of cost of acquisition of the Pine Vale shares over book value of $134,000 was attributed to the cost of the substantial investment of the Pine Vale Group in Woodside-Burmah Oil N.L. which shares are carried in marketable securities.

(b) Investments

Investments in shares are valued at cost or less depending upon the underlying value of the investment and its quoted market value. In some instances investments are valued in excess of quoted market value. Because of the number of shares held in certain companies the quoted market values are not necessarily indicative of the value of the investments, which may be more or less than indicated by market quotations.

3. Fixed Assets

	1973	1972
Summary		
In Ireland, at cost		
Mineral leases and rights	$ 1,806,000	$ 1,806,000
Land, buildings, plant and equipment	12,016,000	11,458,000
In Canada, at cost or less than cost		
Land, buildings, plant and equipment	1,328,000	2,256,000
In Australia, at cost		
Land, buildings, plant and equipment	4,771,000	1,152,000
	19,921,000	16,672,000
Less accumulated depreciation and depletion	5,955,000	4,923,000
	$13,966,000	$11,749,000

Depreciation, Depletion and Amortization Policy

Mogul of Ireland Limited provides for depreciation of fixed assets, depletion of mineral leases and rights and amortization of deferred preproduction expenditures and other charges on a straight line basis. These assets will be written off over the life of the mine, based on ore reserves established from time to time except for certain fixed assets whose life is estimated to be shorter than that of the mine.

Depreciation is provided on the Canadian and Australian fixed assets on a straight line basis at the following rates:

Buildings	2½% to 5%
Plant and equipment	5% to 33⅓%

4. Interests in Gas Production

In November and December the Company on behalf of its subsidiary Mogul Petroleum Corporation (incorporated in 1973), acquired various royalty and working interests in a gas field in Hood County, in the State of Texas at a total cost of $3,730,000. The Company paid $1,630,000 cash for certain of these working interests and satisfied the balance of the purchase price by issuing two 9% notes amounting to $2,100,000 (note 7).

The costs attributable to these interests will be written off over the life of the field based on reserves established from time to time.

In December the Company acquired a royalty interest in a gas field in Hemphill County, in the State of Texas, for $1,175,000. This purchase price was paid in cash on January 4, 1974. On February 25, 1974 the Company acquired an additional royalty interest in the same field for $970,000 cash. Subsequently it was discovered that these royalty interests have a value significantly less than their purchase price. Legal Counsel has advised that the Company has a valid claim against the vendor of these royalty interests to recover this investment. Negotiations are continuing to settle this matter but, in the meantime, it has been decided to write down the investment in 1973 to the amount which it is now estimated will be recovered by royalty payments. A similar write down may be required in relation to the 1974 royalty acquisition. The write down in 1973 is $1,070,000 (note 11) and the potential write down in 1974 on the same basis is $882,000.

5. Property Interests and Deferred Exploration

The Company holds various other non-producing interests in mining, oil and gas properties and leases in various areas of the world. These interests are carried at acquisition cost together with the cost of direct exploration and development work thereon.

It is the Company's practice to defer the costs of these interests and carry them as an asset until the property, project or lease is abandoned, when the costs are written off to income.

6. Income Taxes

Late in March, 1974 the Irish Government introduced legislation to withdraw the twenty-year tax exemption period on mining profits earned by producing mining companies. This legislation has not yet been passed. It is proposed that taxes at a rate of approximately 50% will be payable on the taxable mining profits of Mogul of Ireland subsequent to April 5, 1974, being the date on which the tax exemption period is effectively removed. It is expected that no taxes will be paid on account of the 1974 fiscal year due to the availability of accelerated allowances under the proposed legislation.

1.175
970
2.145

During the year Mogul of Ireland was assessed for income and corporations profits taxes on interest income only. The charge to retained earnings of $102,000 represents the taxes applicable to interest earned in prior years.

The Company has no taxable income for 1973 and has undepreciated capital cost, exploration and development expenditures and other allowances available to offset future income.

7. Long-Term Debt

	1973	1972
Long-term debt consists of:		
8⅝% to 12% mortgages maturing 1976	$2,292,000	$ 734,000
9% notes payable maturing 1975	2,100,000	
Mortgages on building sold during the year		385,000
	4,392,000	1,119,000
Less current portion included in current liabilities	2,129,000	190,000
	$2,263,000	$ 929,000

Instalments on these mortgages and notes are due as follows:

1974	$2,129,000
1975	1,038,000
1976	1,225,000
	$4,392,000

8. Interests of Minority Shareholders

Interests of minority shareholders are attributable as follows:

	1973	1972
Mogul of Ireland Limited	$ 4,801,000	$ 4,621,000
Pine Vale Group	5,448,000	7,385,000
Other subsidiaries	298,000	308,000
	$10,547,000	$12,314,000

9. Capital Stock

Authorized:

992,700 First Preference Shares, par value $20 each
4,000,125 Common Shares without par value

Issued:

	No. of shares	Par Value
First Preference Shares Series A		
Issued during year, for cash	300,000	$ 6,000,000
Converted to 125 Common Shares	(100)	(2,000)
Purchased for cancellation	(7,200)	(144,000)
Balance at end of year	292,700	$ 5,854,000

Common Shares:	No. of shares	Consideration
Balance at beginning of year	2,607,112	$11,061,000
Issued to employees, for cash	860	7,000
Issued on conversion of 100 Preference Shares Series A	125	2,000
Balance at end of year	2,608,097	$11,070,000
		$16,924,000

On April 26, 1973 the Articles of the Company were amended to increase its authorized capital by creating 1,000,000 First Preference Shares with a par value of $20 each, issuable in series.

On May 17, 1973 the Company issued 300,000 shares as the first series of preference shares, being designated as 6% Cumulative Redeemable Convertible First Preference Shares Series A, for $6,000,000 cash.

The Series A Shares are convertible into Common Shares of the Company as follows:

(a) up to April 1, 1978—1¼ Common Shares for each Series A Share
(b) thereafter to April 1, 1983—1 1/9 Common Shares for each Series A Share

The Company is required, in each of the twelve month periods from April 1, 1974 to 1977 inclusive, to make all reasonable efforts to purchase for cancellation in the open market that number of shares which may be purchased out of the lesser of $120,000 or 10% of the consolidated net earnings available for dividends for the immediately preceding fiscal year after deducting dividends paid in that year on the Series A Shares, and in each twelve month period thereafter that number which may be purchased out of the lesser of $300,000 or 10% of the consolidated net earnings after Series A dividends.

During 1973 the Company purchased for cancellation 7,200 Series A Shares for $103,000, being less than their par value. The difference of $41,000 has been credited to contributed surplus. The purchase amount will reduce the first year's purchase requirement commencing April 1, 1974.

10. Employee Stock Options

The following employee stock options were outstanding at December 31, 1973:

Year of Grant	Option Price Per Common Share	No. of Common Shares	Expiry Date
1971	$ 7.50	9,640	October 1, 1976
1973	$12.50	80,800	February 12, 1978
		90,440	

During the year 860 Common Shares were issued at a price of $7.50 per share under the employee incentive option plan. All options granted under the plan were at a price of not less than 90% of the market value of the Common Shares at the date of grant. The options are in good standing of five years from the date of grant, exercisable on a cumulative basis as to 20% of the shares in any one year.

11. Extraordinary Items

	1973	1972
Net realized gain on investment		$773,000
Write down of investment in The Grand Bahama Development Company, Limited to net realizable value	$(780,000)	
Write down on royalty interest in Hemphill County, Texas, to estimated realizable value (note 4)	(1,070,000)	
Allowance for decline in value of some venture capital projects		(600,000)
As shown on consolidated statement of income	$(1,850,000)	$173,000

12. Fully Diluted Earnings Per Common Share

Fully diluted earnings per share show the maximum dilution of current earnings which potential conversions and exercises (see notes 9 and 10) would have caused had they occurred during the current year as follows:

	1973	1972
Before extraordinary items	$2.70	$1.66
Net income for the year	$2.06	$1.73

13. Other Information

Direct remuneration of the Company's directors and senior officers from the Company and its subsidiaries was $407,000 ($352,000 in 1972).

14. Subsequent Events

(a) On February 15, 1974 the Company sold its investment in The Grand Bahama Development Company, Limited for $4,398,000. The resulting loss of $780,000 on the sale is provided for in the consolidated statement of income for the year as an extraordinary item. At December 31, 1972 the investment was included in shares with quoted market value.

(b) On January 2, 1974 the Company purchased an office building in downtown Toronto for $4,120,000. The purchase price was satisfied by the assumption of mortgages in the principal amount of $3,120,000 and $1,000,000 cash.

(c) The Company has guaranteed a bank loan to Mindamar Energy Resources Limited of up to $2,500,000 for a period of up to three years from February 12, 1974. This guarantee is secured by a mortgage on gas interests held by Mindamar in the State of Texas.

Directors

R. D. Bell, Toronto, Ontario
Vice-President, Finance of the Company

H. R. Bennett, Toronto, Ontario
Partner, Richardson Securities of Canada

Latham C. Burns, Toronto, Ontario
President, Burns Bros.
and Denton Limited

P. S. Cross, Toronto, Ontario
Vice-President, Mining Operations of the Company

Robert A. Davies, Q.C.,
Toronto, Ontario
Partner, law firm of Davies, Ward & Beck

E. T. Donaldson, Toronto, Ontario
Mine Developer

William James, Toronto, Ontario
President, Kerr Addison Mines Limited

D. W. Knight, Toronto, Ontario
Chairman of the Board and Chief Executive Officer of the Company

John Kostuik, Toronto, Ontario
President, Denison Mines Limited

E. B. McConkey, Toronto, Ontario
Vice-President, Finance and Treasurer, Denison Mines Limited

G. D. Pattison, Aurora, Ontario
Vice-President and Secretary of the Company

S. A. Perry, Toronto, Ontario
Honorary Chairman of the Board
of the Company

F. Gerald Townsend,
Mississauga, Ontario
President and Chief Operating Officer
of the Company

W. W. Weber, Toronto, Ontario
Vice-President, Exploration of the Company

Officers

S. A. Perry, Honorary Chairman of the Board

D. W. Knight, Chairman of the Board and Chief Executive Officer

F. Gerald Townsend, President and Chief Operating Officer

R. D. Bell, Vice-President, Finance

P. S. Cross, Vice-President, Mining Operations

G. D. Pattison, Vice-President and Secretary

W. W. Weber, Vice-President, Exploration

W. R. D. Maclean, Treasurer and Controller

D. A. Humby, Assistant Secretary

Auditors
Thorne Gunn & Co., Toronto, Ontario

Counsel
Davies, Ward & Beck, Toronto, Ontario

Transfer Agent and Registrar
Guaranty Trust Company of Canada,
Toronto, Montreal, Winnipeg, Regina,
Calgary and Vancouver

Bankers
The Toronto-Dominion Bank,
Toronto, Ontario

Listings
The Toronto Stock Exchange
Montreal Stock Exchange

Head Office
34 Adelaide Street West, Toronto,
Ontario M5H 1L8

Mogul of Ireland Limited
(75% owned subsidiary)
Mine Office: Silvermines, Nenagh,
County Tipperary, Ireland
Mine Manager: S. A. J. Hopper

Mogul Petroleum Corporation
(100% owned subsidiary)
1 Main Place, Dallas, Texas, U.S.A.
President: Wm. V. MacInnes

Pine Vale Mines Limited
(62.1% owned subsidiary)
115 Pitt Street, Sydney, N.S.W., Australia
Managing Director: P. T. Gilbert

Republic of Ireland
- Production — Zinc-Lead
- Mineral Exploration

Spain
- Mineral Exploration

Italy
- Mineral Exploration

Papua-Arafura Sea
- Oil and Gas Exploration

Australia
- Mineral Exploration
- Oil and Gas Exploration

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